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COPY NO. 17
OCI NO. 2690/57

29 May 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 1
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CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 3 Aug 79 REVIEWER: [REDACTED] 25X1

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PART I

OF IMMEDIATE INTEREST

FRANCE

Pressure for Nuclear Weapons

Pressures favoring a nuclear weapons program for France are mounting to the point that any government emerging from the present political crisis will probably be unable to withstand them. Mollet's earlier offers for France to "abstain" from becoming a nuclear "fourth power," provided a satisfactory disarmament agreement could soon be reached, probably could not be upheld by any new government. Chances are slim that any candidate for the premiership could avoid promising the assembly to insist on agreement to a French nuclear program in disarmament negotiations.

Jules Moch, the chief French disarmament negotiator, has indicated on several occasions during recent UN Disarmament Subcommittee discussions that France would be prepared to forego a nuclear weapons program provided an international agreement could be reached soon and certain other conditions met--including suspension of nuclear tests and a stop to manufacture of fissionable material for weapons. A 27 May commentary by the French Press Agency stated that while there is "no official policy" on this subject, Moch's intimates have quoted him as foreseeing a US-USSR agreement and having stated that France could accept it only with difficulty.

Moch has told subcommittee representatives several times during the current series of disarmament talks that France could not long put off starting

its own national nuclear weapons program unless there were prospects for an agreement soon.

Foreign Minister Pineau, who proposed at the North Atlantic Council in Bonn early this month that nuclear warheads be stored under SACEUR rather than national control, stressed that "only the present government under present circumstances" in France was not partisan to French manufacture of nuclear weapons.

It is possible that the timing of the expression of French sentiment on the subject is officially inspired as a maneuver to exert pressure on the London disarmament conference to reach an early agreement. However, it seems more likely that Mollet's parliamentary defeat plus the accumulating impact of other events has swollen nationalist pressures beyond the point of control by any French government. Such factors include the influence on French opinion of the British decision to rely on nuclear deterrent power, announcements of plans to overhaul the French defense establishment to meet the demands of nuclear warfare, and accumulating frustrations arising from France's setbacks in Algeria and the Middle East.

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The Cabinet Crisis

The formation of a new French government has been blocked primarily by the intransigence of the Socialists, and the deadlock probably will not be broken until at least one attempt to invest a new premier has failed. An interim center coalition may then be necessary, but the delay probably favors Premier Mollet's chances of eventually heading a new, more broadly based government. As the stalemate is prolonged, France's pressing financial problems grow worse.

Former premier René Pleven, who is sounding out the parties for President Coty, has indicated that he favors another government headed by Mollet, but with wider participation than the present cabinet. Pleven has made little progress, however, in his effort to induce the Socialists to overcome their pique at the Independents, who caused Mollet's defeat. There had been some hope earlier that the impending meeting of the Socialist national council and an imminent Popular Republican convention would give Pleven the basis for concrete recommendations. The Socialists may not schedule this meeting, however, until Coty has designated a candidate in hopes of demonstrating that the Independents are unable to form a government.

The Socialists still maintain that they are not willing to participate in any new government, and that the time is ripe to let the right take responsi-

bility. The Popular Republicans, some Radicals, and Pleven's small Resistance Union continue, however, to insist upon Socialist participation. Greater Radical cohesion can be expected if Mendes-France definitely resigns from party leadership; a reunited Radical group would again be in a strategic position to assert assembly leadership.

The Popular Republicans and the Independent-Peasant group may make their support dependent on a firm commitment not to "abandon" Algeria. Popular Republican Party leader Pierre Pflimlin is reported convinced that far-reaching changes in Algerian policy are necessary, however, and this view is shared by three other leading candidates--Pleven, Minister of Justice Francois Mitterrand, and Education Minister René Billeres. Mollet has warned that the Socialist Party's position on Algeria must be supported, but his party does not exclude the possibility of a political settlement; there are indications of a growing view that Minister Lacoste's pacification program has outlived its usefulness.

In the meantime, with Mollet acting only in a caretaker capacity, efforts to shore up France's worsening financial situation are at a virtual standstill. Mollet had decreed a cut of almost \$650,000,000 in appropriations before he was defeated but had not yet obtained assembly approval to levy over \$400,000,000 in new taxes. The Finance Ministry has been forced to seek assembly approval for short-term advances from the Bank of France to meet its obligations during the crisis. The franc

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has markedly weakened since Mollet's defeat and rumors of devaluation are increasing.

An early agreement on a short-lived makeshift government to handle France's immediate needs is still possible. The American embassy in Paris believes, however, that the crisis has not yet deepened

enough to permit the formation of a government, and reports a growing feeling that a more durable broadly based government is possible if the crisis is allowed to work itself out. In either event, it seems likely that action on the EURATOM and Common Market treaties will be postponed until fall.

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PART II

NOTES AND COMMENTS

AFTERMATH OF THE TAIPEI RIOTS

Reaction to the anti-American riots in Taipei on 24 May has been strong throughout Asia. Japanese, South Korean and Philippine officials have stated that the disorders demonstrate the necessity for concessions by the United States on the issue of local jurisdiction over American military forces abroad.

The Japanese Communist Party has issued instructions for an anti-American propaganda campaign exploiting the accidental killing of a Japanese woman by an American serviceman on a rifle range.

In South Korea, the government for some time has been pushing for a revision of the status-of-forces agreement which would give South Korea some degree of administrative control over foreign troops.

In Bangkok, the newspaper controlled by Marshal Sarit, the minister of defense, warned the government against the danger of allowing more American military personnel into Thailand.

In Hong Kong, the vernacular Chinese press has showed little or no sympathy for the United States in discussing the riots. Non-Communist papers

there admit serious damage to US-Nationalist China relations.

The Indian newspaper National Herald, which is generally anti-Western but not pro-Communist, declared that the riots demonstrate the difficulty Chiang Kai-shek experiences in maintaining "what amount to occupation troops," and predicted that the episode is the "beginning of a shake-up whose effect might be far-reaching."

The independent English-language Times of Indonesia, presenting a more balanced view, acknowledged the value of US aid and condemned the "hooliganism" of the rioters, but blamed "Americans themselves" for an incident which stemmed from US insistence on "extraterritoriality." An Indonesian Nationalist Party newspaper, the Observer, has declared that since Taiwan is regarded as an American "stooge," events there come as a "real surprise" to other Asians.

Cairo radio asserted that the issue goes deeper than a merely local outburst of passion. "Behind each dollar," it said, "lies a demand. Honor is injured and rights usurped." Israel, Cairo concluded, "will share Taiwan's fate."

Chinese Communist officials described the Taipei riots as providing the "first overt sign" of increasing discontent over the presence of US forces on Taiwan. Peiping will probably interpret the disorders as evidence that the chances for "peaceful liberation" of Taiwan are improving, and it

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can be expected to redouble its subversion and psychological warfare efforts.

A major propaganda campaign is already under way stressing the "patriotic unity" of all Chinese to oppose US "colonialism." Peiping broadcasts are vilifying Chiang Kai-shek as a toady and are spreading atrocity stories of alleged American "brutality."

Peiping will watch closely for indications that the attack on the embassy has produced widespread public resentment in the US, and is probably hopeful that recent developments will undercut American support for the Nationalist government.

American officials on Taiwan have reported considerable evidence of planning for the riots by certain Chinese Nationalist officials. The motives involved are not yet clear. Students, apparently indoctrinated in advance, were the principal leaders in the disorders, which appear to have gone beyond what the planners intended.

A high-ranking Kuomintang leader has stated that the riots were intended to embarrass

Premier Yui and Foreign Minister Yeh, and that the National Youth Corps carried out the disturbances under the control of Chiang Ching-kuo. A police official—who was observing the disturbances with considerable satisfaction—said that he had been given instructions not to use firearms or gas on the crowd but to protect the lives of Americans. The events, however, took a more violent turn than expected.

The court-martial verdict acquitting an American MAAG sergeant of the shooting of a Chinese "peeping Tom" struck the Chinese in a particularly sensitive spot, arousing strong latent antagonism against prewar "extraterritoriality." Ambassador Rankin reported that the lack of a United States-Republic of China status-of-forces agreement, together with extensive press coverage of the parallel Girard case in Japan, aggravated these feelings. In addition, Ambassador Rankin believes the traditional distrust and dislike of Western influence was probably heightened by the disparity in American and Chinese living standards on Taiwan, special privileges for Americans, and their conspicuous presence in almost every phase of Chinese life on the island.

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KHRUSHCHEV'S INCREASING PRE-EMINENCE IN SOVIET LEADERSHIP

During the past week, the publicized activities of party first secretary Khrushchev reached a new high. He was reported every day as either suggesting new programs at local meetings, visiting agricultural or industrial installations, sending congratulatory messages, receiving awards or conversing with foreigners. In volume of personal publicity, in number and diversity of policies associated

with his personal sponsorship, and in influence on personnel appointments, he surpasses all the other members of the collective leadership. His present pre-eminence in these respects clearly marks him as the single most influential man in the Soviet Union today, but he is either unwilling or unable to assume Stalin's mantle of personal dictatorship.

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Despite Khrushchev's increasing dominance, a form of "collective leadership" has continued. Within the confines of the 11-man presidium, the arena within which top policy is hammered out, each member, according to Khrushchev himself, can express his views freely and thus have an influence on the policy adopted. Khrushchev has shown a willingness to listen to the opinions of others and, on occasion, to modify his own views in order to achieve general agreement on policy. He probably relies more on his drive, optimism, and powers of persuasion to win acceptance of his views than on political coercion. Once a decision is reached, these same qualities help him to put the program over.

The mass of Soviet people probably initially felt little or no identity of interest with any of the post-Stalin leaders, but Khrushchev's efforts to meet and talk to a wide range of people and his championing of various popular measures have gradually gained him many adherents among the workers, peasants and local administrators. His extensive and frequent tours of collective farms and local factories have apparently paid off handsomely in this respect.

Khrushchev, already the most decorated presidium member,

received a unique gift from the workers of Leningrad on 23 May. They presented him with a leather-encased silver plaque inscribed:

To the outstanding worker of the Communist Party and Soviet State, loyal Leninist, and First Secretary of the CPSU Central Committee, Comrade N. S. Khrushchev, from the workers of the Kirov works as a token of our affection and unlimited loyalty to the Communist Party and its Leninist Central Committee.

No Soviet leader has received similar approbation since Stalin's death.

One of the important factors in Khrushchev's success as a leader has been this ability to engender rank-and-file enthusiasm for his grandiose schemes and to translate this enthusiasm into meaningful activity. There is a strong element of the "ham" in him, and he appears to be extremely sensitive to the response of his audience. It is at farm meetings that he is truly in his element. He alternately cajoles, lectures, confides in and scolds his audience, an approach which seems to be enthusiastically received.

Khrushchev's folksy approach has not met with so much success among the better-educated technical and cultural intelligentsia. More than anything else they seem to

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resent what they feel is his lack of dignity and refinement. While some grudgingly admit admiration for his immense drive and energy, they consider him comic, crude and uneducated --a mockery to the high office of party first secretary. This lack of rapport between Khrushchev and the Soviet intellectual may account, in part, for the regime's current inability to deal effectively with intellectual ferment.

Khrushchev's real power in the Soviet hierarchy was most clearly revealed in February and March this year, when, apparently dissatisfied with the attempts of the economic administrators in the top leadership to cope with Soviet economic problems, he stepped in as champion of a program for reorganizing the administration of Soviet industry. He broached the program at a dramatic meeting of the party's central committee in February and, in March, provided the main outlines of the scheme for a nationwide public discussion. He then presented the proposals to the Supreme Soviet early this month and was chairman of the commission elected to draft the law which the Supreme Soviet adopted.

Khrushchev's increasing participation in the industrial policy field has not meant a reduction of his role in the agricultural field. Speaking on 22 May to a conference of agricultural workers in Leningrad in a manner clearly revealing his continued dominance over

Soviet agricultural policy, he boasted that the USSR could overtake the United States in per capita output of meat and dairy products in the next few years.

Admitting that he occasionally ignored the views of his own experts, Khrushchev said he disagreed with "some economists" who had calculated that the USSR could not catch up with the United States in per capita meat production until 1975. This statement, at a time when the whole Five-Year Plan is presumably under review in the Soviet Union, illustrates Khrushchev's general optimism about Soviet economic progress and suggests that he may oppose efforts to reduce other plan goals.

Khrushchev earlier this spring revealed that some retrenchment would take place in the large-scale corn program which he launched in 1955. He denied that he was "sounding a retreat" and emphasized that corn was "the queen of the field crops," but in effect said that the corn program should not be carried to the extremes he himself had advocated earlier.

The confident manner with which Khrushchev continues to exert leadership over Soviet agricultural policy while at the same time assuming responsibility for industrial policy strongly suggests that his political position is secure and he is able to modify his earlier agricultural measures without serious loss of face.

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THE BULGANIN-KHRUSHCHEV VISIT TO FINLAND

The Soviet leaders will try during their 6-13 June visit to Finland to recoup the USSR's prestige and may make certain overtures to the Finns on trade and the sale of arms with a view to encouraging neutralism in the Scandinavian countries. No appreciable change in Finland's foreign policy is likely to follow, since all the non-Communist Finnish parties are united on this subject.

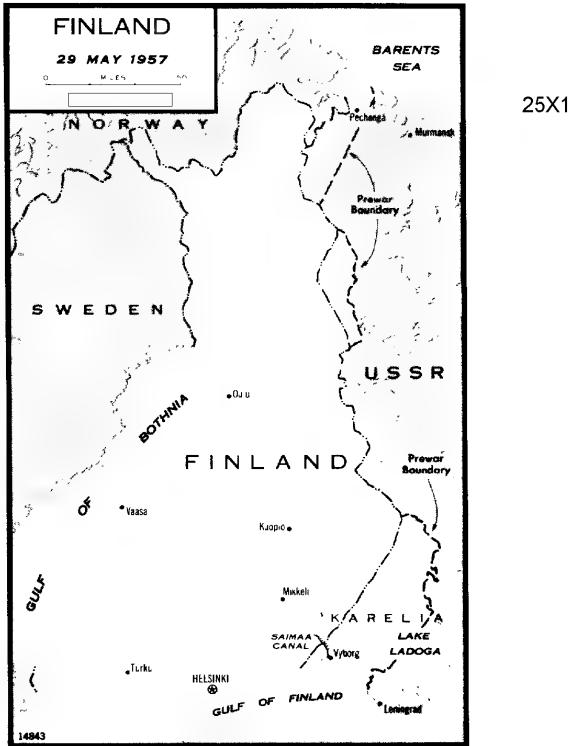
The USSR has in the past cited Finland as an example of how a small non-Communist nation can live in peaceful coexistence with the USSR by following a policy of neutrality.

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Soviet bloc arms in order to balance their acquisition of military equipment from the West.

The Finns would be unenthusiastic over any Soviet offer merely to permit Finnish use of the ceded portion of the Saimaa Canal-- which connects the lake district with the Gulf of Finland at the former Finnish city of Vyborg-- since the canal has lost its economic value to Finland. Nevertheless, the strong emotional attachment of the Finns to Karelia, which was ceded to the USSR at the end of World War II, demands that the government throw no obstacles in the way of any gesture which suggests the ultimate return of some of Karelia to Finland.

The Soviet intimation during Fagerholm's visit to Moscow



The particular subjects on which the USSR seems most likely to make proposals are the purchase of arms, the use of the Saimaa Canal, and trade relations.

While the Finns would welcome any proposal which would give them more freedom of action, particularly from the manpower limitation on military forces in the 1947 peace treaty, they will be extremely cautious regarding any suggestion for purchasing arms from the USSR. Mindful, however, that the Soviet embassy in Helsinki has expressed displeasure on several occasions that Finland was not buying any arms from the East, the Finns might agree to buy token quantities of

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last February that "the proper time will come" for border discussions has encouraged the Finns to hope that the subject may again be introduced. There have been no signs, however, that the USSR intends to make further territorial concessions to the Finns at this time.

Finland's economic difficulties and interest in the European free-trade area may prompt the Soviet leaders to make some economic offers to Finland. In reply to Fagerholm's statement in Moscow that the Soviet-Finnish trade imbalance must be rectified, Soviet officials agreed to discuss this later and indicated that certain accommodations "only for Finland" could be made.

Finland, however, does not wish to increase further its economic dependence on the Soviet bloc, with which it conducted between 25 and 27 percent of its foreign trade in 1956. Finland's export surplus to

the USSR, an acute problem at the time of Fagerholm's visit to the USSR in February, now is less than anticipated at that time, and the Finns have already submitted proposals to Moscow presumably to bring the trade into balance. The Soviet leaders might offer Finland additional quantities of oil products, as originally desired by the Finns, in return for increased Finnish exports at a time when these are meeting severe competition in Western markets.

The Finns apparently are primarily concerned lest the Soviet leaders exploit Finland's policy of maintaining correct relations with the USSR in such a way as to make Finland seem unneutral or even subservient to the USSR. They seem particularly nervous about Bulganin's and Khrushchev's desire to participate in the 50th anniversary celebration of the Finnish Confederation of Labor on 9 June and are endeavoring to limit this participation to mere attendance. [redacted]

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USSR ESTABLISHES NEW CULTURAL RELATIONS COMMITTEE

The creation on 21 May of a State Committee for Cultural Relations with Foreign Countries under the USSR Council of Ministers is the most recent indication of Moscow's desire to break out of the isolation imposed by its actions in Hungary and the Suez crisis. The USSR has been conducting a vigorous campaign to restore contacts at all levels with the West. In recent letters to Prime Minister Macmillan and Premier Mollet, Bulganin stressed the USSR's interest in expanding cultural contacts and proposed that representatives be appointed to study ways of accomplishing this. Since the

beginning of the year, Soviet officials in Moscow and Washington have frequently indicated their desire to revive the Soviet-American cultural exchange program which was suspended after the revolution in Hungary.

At a news conference called to announce the creation of the new committee, Georgy (Yury) Zhukov, former deputy editor of Pravda and chairman of the committee, stated that its "primary duty" will be to "facilitate" the work of foreign correspondents in the Soviet Union. He said the committee would also "co-ordinate" artistic, theatrical, scholarly and

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scientific exchanges with other nations and would negotiate agreements on a governmental level for such programs. Zhukov is a skilled propagandist who has established numerous international contacts during his service as a foreign correspondent. He has acted on many occasions as an unofficial spokesman for the Soviet government in conversations with members of the foreign press.

Moscow's increasing emphasis on foreign cultural and propaganda activities was evident in Minister of Culture Mikhailov's speech to the Supreme Soviet in February in which he stated that his ministry planned to organize visits by Soviet artistic companies and individuals to more than 60 countries during 1957. He also said that about 5,000 artists and cultural workers will go abroad this year and that a "large number" of foreign artists will be invited to the USSR.

The Soviet exchange program enjoyed its biggest year in 1956. Until world reaction to events in Hungary last fall sharply curtailed the program, the USSR had exchanged more

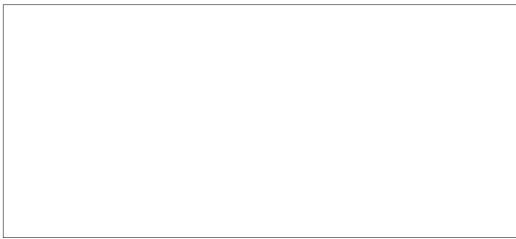
than 1,500 delegations--15 percent above 1955 and triple the number in 1953. An increasing number of high-ranking governmental or "prestige" groups traveled to and from the USSR last year, parliamentary delegations alone numbering 20. According to Soviet sources, 30,000 tourists from the free world visited the Soviet Union and 20,000 Soviet tourists went abroad, one fourth of them visiting free world countries. The marked rise in the number of scientific, technical and professional delegations suggests that Moscow has become less interested in exchanges profitable only from a propaganda standpoint.

The establishment of the new Cultural Relations Committee was preceded by another move designed to encourage exchange delegations, tourists and businessmen to visit the USSR. On 1 April, Moscow introduced a special ruble premiums system in noncommercial exchanges with 30 free world currencies, intended apparently to compensate for disparities between the official ruble exchange rates and international money market valuations of these currencies.

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SUEZ CANAL AND AQABA ISSUES

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French foreign minister Pineau returned from the

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French-requested UN Security Council session on Suez with professions of satisfaction with the result, which he interpreted as a transformation of the Egyptian memorandum into a "definitive instrument binding Egypt and the canal users." He said the use of the canal by French ships was a problem which the government alone could decide. An unconfirmed Mideast News Agency report on 27 May stated French agents were arranging for passage of the canal by about 40 French ships, reportedly anchored at Djibouti.

Referring to rumors of the prospective passage of an Israeli test ship through the canal, Pineau commented last week that "other questions are more urgent, especially that of freedom of passage through the Gulf of Aqaba, which now appears assured." The continued presence of the two modern French destroyers at Djibouti suggests that Paris is prepared to have them escort any Israeli vessel in the area.

In the first official contact between the two countries since the Suez campaign, representatives of Britain and Egypt have been discussing financial questions and a settlement of claims in Rome since 23 May.

[redacted] Britain is now seeking primarily the desegregation of an estimated \$168,000,-000 worth of British property in Egypt, and Egypt in return the partial unblocking of its sterling current account now worth about \$72,000,000. London has stated that releases from the blocked account will depend on what Egypt offers on desegregation and on the withdrawal of discriminatory measures against British firms and residents.

London has emphasized that it is not considering a resumption of diplomatic relations with Cairo now. The British hope to resume some trade in the near future and will defer government claims--for Suez Canal shares and seized stocks in the former Suez Canal base--if Egypt will defer its demand for war damages and move ahead on desegregation.

Meanwhile, the British maintain that they will continue to try to exert pressure on Nasr and will go to the Security Council again if they consider Egypt to be operating the canal unsatisfactorily or violating the 1888 convention. [redacted]

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DEVELOPMENTS IN JORDAN

The withdrawal from North Jordan of the 3,000- to 5,000-man Syrian force in response to an official Jordanian request on 21 May strengthens the position of King Hussain. Jordan's government had previously been

reluctant to make an outright demand for departure of the Syrians, lest it be exposed to a charge of weakening Arab defenses against Israel, and had attempted various indirect pressures to achieve this purpose.

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Prior to the delivery of Jordan's official note, the Jordanian command moved a 3,000-man Saudi Arabian regiment into position immediately south of the Syrian encampment at old Mafraq air base, and installed approximately 1,000 Jordanian troops nearby. The transfer of the Saudi regiment, which will occupy the facilities evacuated by the Syrians, will assure the presence of a force loyal to Amman in North Jordan after evacuation of the nearby new Mafraq air base by British Royal Air Force personnel scheduled for 31 May.



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Egyptian and Syrian determination, meanwhile, to aid and encourage anti-Western and antimонаrchical elements in Jordan resulted on 22 May in an "appeal to the Jordanian people" by the refugee "Jordanian national conference" in Damascus--representing Jordan's left-wing political groups--denouncing the "imperialist conspiracy...to annihilate liberated Arab nationalism."

On the surface at least, the situation in Jordan continues calm, and the curfew was completely lifted on 25 May. The situation is such that the previously deferred visit to Amman by King Saud is now scheduled to take place on 8 June.

Jordan remains bedeviled, however, by its chronic inability to meet expenses and support its army.

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Egypt and Syria initially attempted to discourage Jordan's request for the Syrian withdrawal on the grounds that the matter had not been referred to the Arab Joint Command in Cairo. The government of Jordan, however, took the position that the action integrating Jordanian army headquarters with the Arab Joint Command had been undertaken by former chief of staff Nuwar without government approval.

The principal issue of the Lebanese parliamentary elections, scheduled to begin on 9 June, is the struggle between pro-Western President Chamoun and Prime Minister Sami Solh on the one hand and the pro-Egyptian Lebanese National Front on the other. The contest is between two groups of

LEBANESE PARLIAMENTARY ELECTIONS

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politicians, rather than parties in the Western sense--the group led by Chamoun and Western-oriented Solh against that led by former prime minister Abdallah al-Yafi, an admirer of Nasr. President Chamoun, a Maronite Christian who is stanchly pro-American and anti-Nasr, considers the elections a test of the possibility of altering the constitution so that he may succeed himself.

The members of the new parliament, to be elected between 9 and 30 June, will elect the next president in 1958. Under Lebanon's parliamentary system, the president exerts strong influence over foreign and internal policy.

The largely Moslem Lebanese National Front is split by the refusal of Christian and Druze members to go on record against the American Middle East proposals and the reluctance of several pro-Saudi leaders to follow Egyptian and Syrian bidding, especially at a time when some aspects of King Saud's foreign policy coincide with

that of Americans in the area. The split in the Front has accentuated the division between Christian and Moslem Lebanese to the point where it could lead to serious disturbances.

Lebanese politics are further complicated by the fact that parliament is constituted on a confessional basis. Nine religious groups are apportioned seats according to their traditional communal share of the population, and both contending political groups include representatives of all these sects.

Because of the possibility of violent outbreaks, the elections are to be held in different regions on four successive Sundays, thus enabling the administrative and security forces to concentrate in each electoral region.

The dominance of Chamoun and Solh in the executive and parliamentary branches of the government gives their candidates a significant advantage.

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CABINET SHIFT IN LIBYA

After three years of maneuvering to maintain a stable government in Libya, Prime Minister Ben Halim resigned on 24 May. Reportedly precipitated by a conflict with King Idriss over relatively unimportant domestic issues, the resignation has its roots in Ben Halim's

nearly constant battle against personal enemies, Egyptian intrigue in Libyan affairs, and the often faltering confidence of his king.

There is no indication that the new government will effect any major changes in the policies

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initiated by the former prime minister. Ben Halim was a strong advocate of co-operation with the West. The success of the visit by the Richards mission and the amicable relations maintained with the US in matters dealing with American air bases owe much to his adroit handling. Similarly, Soviet offers of financial and military assistance were rejected and Egyptian subversive efforts in Libya suffered a considerable setback as a result of his efforts.

Abdul Majid Kubaar, the new prime minister, had served as Ben Halim's deputy since last March and reportedly was chosen at that time because of his loyalty and reliability. Six of the previous cabinet members are being retained, and of the three new appointees, only one appears to have been

in conflict with Ben Halim. The reported appointment of Ben Halim and another former prime minister, Mahmud Muntasser, as "royal advisers" with status comparable to that of the new prime minister may prove disadvantageous to the orderly conduct of government.

One of Ben Halim's most exasperating duties had been to combat the king's disregard for constitutional and democratic processes and to nullify the efforts of his pro-Egyptian confidants to gain royal favor. If Kubaar proves incapable of maintaining Idriss' full support, dissident internal elements may be expected to cause considerable instability and threaten the continuation of Libya's pro-Western orientation. [redacted]

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NEW CRISIS IN FRENCH-TUNISIAN RELATIONS

A crisis in French-Tunisian relations has developed over France's suspension on 20 May of the first installment, amounting to \$5,700,000, of a \$34,500,-000 loan agreed to on 20 April. The French are demanding that Tunisia give assurances that French financial aid and military equipment are not being used to assist the Algerian rebels before these funds are released. Premier Bourghiba seems determined to use this crisis as a means of reducing Tunisia's economic dependence on France.

Although French officials say that only a temporary suspension of the \$5,700,000 is involved, Bourghiba told the Tunisian people in his weekly radio address on 22 May that France had unilaterally abrogated the financial agreement

signed in 1955. Under this agreement, Tunisia became a member of the French franc zone and entered into a customs union with France.

While Bourghiba apparently has not made any specific requests for financial assistance from other countries, he summoned Arab and Western ambassadors and advised them of the situation. This maneuver probably implies that future relations may depend on what offers are forthcoming. The vice premier has asked the United States to "consider carefully" a suggestion to divert temporarily some \$5,-000,000 to \$7,000,000 in American aid to pay bills for Tunisian development projects which fall due in June. Reports that the USSR offered to make a trade agreement with Tunisia probably

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derive from alleged overtures made by a Soviet delegation to Tunis last March rather than from any new approach.

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Paris objects to Bourghiba's recent initiative, in concert with former Libyan premier Ben Halim, in trying to arrange a settlement in Algeria.

The French justify the withholding of funds by citing the 5 May capture of a truckload of arms, presumably destined for the Algerians, while being convoyed by the Tunisian national guard.

Bourghiba accused France of failing to live up to its commitments to equip Tunisia's 1,500-man army created last July, and charged that French authorities confiscated Belgian arms procured by the Tunisian army to offset this deficit.

France also has taken other steps to prevent the Tunisians from obtaining materiel from non-French sources. Bourghiba has protested a recent French aerial bombardment and shelling of Tunisian territory, which he said resulted in injuries to seven Tunisians.

Although Bourghiba is unlikely to give Paris the assurances it desires regarding aid to the Algerians, he is not yet willing to risk a complete rupture with France. He informed the Tunisian National Constituent Assembly on 27 May that Tunisia was ready to negotiate with France on a basis of "mutual interests," and reportedly warned the delegates both against overenthusiasm for breaking ties with France and of the possible consequences of the nation's "new economic independence." Bourghiba has confined the current crisis to the economic and financial convention of 1955, and has not renewed his demands for the immediate evacuation of France's military forces.

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LAOS

Prime Minister Souvanna Phouma's cabinet voted to submit its resignation on 29 May after the government suffered a defeat in the National Assembly on its handling of the Pathet Lao negotiations. This opens the prospect of a long political crisis.

Deputy Premier Katay and Phoui Sananikone, leader of the Independent Party, appear to have the best prospects of forming a new government.

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In the event that the major leaders are unable to reach agreement, Prince Petsarath may be the strongest alternative. He recently returned from a visit of Pathet-held territory allegedly convinced that the Pathets are not Communists and are no longer controlled by the Viet Minh.

Meanwhile, press reports that Souvanna on 27 May read before the National Assembly a letter from Pathet chief

Souphannouvong in which the latter promised to surrender control of the two northern provinces and the armed forces immediately after the formation of a coalition government suggest that the Communists have switched to more conciliatory tactics. This proposal was apparently designed to strengthen Souvanna's position, by permitting him to point to the development of Pathet "reasonableness" as a positive achievement or his policy of accommodation. In the event Souvanna's resignation is accepted, the Pathets may well make some dramatic gesture during the cabinet crisis in the interest of promoting his return to office.

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INDONESIA

Continuing efforts to remove Lt. Col. Samual from his command in East Indonesia are likely to broaden the breach between Djakarta and the outlying provinces.

On 27 May, an army spokesman announced that Samual had been relieved of his command and was being "transferred" in accordance with a decree signed by President Sukarno last month calling for reorganization of the military structure in East Indonesia. This was the second time in less than 10 days that army headquarters had ordered Samual's removal. The announcement also stated that Prime Minister Djuanda, in his capacity as defense minister, had decided to split East Indonesia into four military regions.

Djakarta's actions are likely to be interpreted in the provincial commands as a direct challenge from Sukarno; and in view of the apparent inability

of the central government to enforce compliance, the moves will probably be greeted with defiance and scorn. Samual will almost certainly ignore this latest set of orders, and he may carry out his threat to break relations with Djakarta. In whatever course he chooses, Samual will be able to count on the support of the dissident leaders in Sumatra and Borneo.

Prospects for compromise will continue to diminish as long as Sukarno, apparently surrounded by pro-Communist advisers, remains opposed to any significant concessions to the provinces. The hostility of anti-Sukarno Indonesians reached a new high last week when former premier Harahap, the Masjumi parliamentary leader, strongly denounced the president for "irresponsibly" declaring martial law, for violating the constitution by appointing a cabinet himself, and for "demolishing every form of democracy."

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INCREASING TENSION IN CUBA

The atmosphere of tension in Cuba has been sharpened by the extensive sabotage of Havana's electric power system on 28 May and by reports of new fighting with Fidel Castro's rebel force in the eastern part of the island. High government and armed forces officials are manifesting concern over reports that new revolutionary attempts are imminent.

There has been an increase in rebel activity in eastern Cuba during recent weeks, including the landing of possibly as many as 100 rebels on 24 May. The government recently began transporting 1,000 troops to Oriente Province to reinforce an equal number already engaged in hunting down Castro's men. The size of Castro's force is estimated at 140 men operating in small bands in the rugged Sierra Maestra Mountains. While Castro's forces are not considered capable of overthrowing the Batista regime, they have become a running sore of considerable nuisance value. A majority of inhabitants of Oriente Province--variously estimated at between 50 and 85 percent--are believed to be sympathetic to the rebel cause.

In Havana, the electrical workers, supported by bank and telephone employees, have been

reported as backing opposition groups and planning a nationwide power strike in conjunction with renewed revolutionary activity. Although slowdowns during the latter half of May were severely dealt with by the government and ended without serious incident, discontent has not lessened, and the electrical workers may well be simply biding their time. A violent explosion blacked out Havana on 28 May, but no disturbances were reported in the capital immediately following the blast.

Reports that new disturbances are imminent both in Havana and near the rebel stronghold in eastern Cuba are sufficiently numerous to cause real concern to high government officials. These reports also suggest that President Batista may have to act decisively to remain in power until the end of his term in February 1959. The bulwark of Batista's regime is the army, and as long as he continues to command its loyalty, he will probably be able to control any threats to his government. There have been reports of disaffection among the ranks and of plotting among the officers, but the great majority of the armed forces are believed loyal to Batista.

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THE NEW REGIME IN HAITI

The installation of leftist presidential candidate Daniel Fignole as provisional president of Haiti on 26 May quieted, at least temporarily, the explosive political situation which has kept the country in turmoil for six months, but the capital remains tense and new

disorders may erupt at any time. A general strike which had paralyzed the national economy since 21 May has ended, and stores and shops have reopened, although trade was reported only 25- to 50-percent normal.

The army, which split wide open during a battle between

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rival chiefs of staff on 25 and 26 May, was superficially re-united when both claimants resigned and Colonel Antoine Kebreau was named to head the army.

Fignolé made a strong enemy when he switched allegiance from Louis Dejoie, with whom he had controlled the executive council of government which was ousted on 21 May, to Brigadier General Leon Cantave, ex-army chief of staff who engineered the council's fall. The switch occurred during the 24-hour battle in which Cantave's control of the army and the government was threatened by the council-supported Port-au-Prince police chief who was attempting to supplant Cantave as chief of staff. Cantave subsequently supported Fignolé's self-appointment as provisional president.

Fignolé named a ten-member cabinet on 28 May which, according to the American embassy, consists of second-rate politicians. The cabinet represents all leading presidential candidates except Dejoie, who is probably regrouping his rather formidable supporters for an attempt against Fignolé's government. Dejoie has a large following among merchants and industrialists, and with the co-operation of these groups, is fully capable of calling a crippling general strike, as he has in the past.

One of the most serious potential threats to Fignolé's government is his claim

that his role as provisional president does not exclude him from running for permanent president in the forthcoming national elections, most recently scheduled for 16 June. This claim will provoke accusations that he will rig the elections in his favor--the familiar cry which



Daniel Fignolé

has led to the downfall of two previous provisional governments.

Fignolé and Cantave, as well as the two major presidential candidates currently supporting Fignolé, are believed to represent the interests of ousted president Paul E. Magloire and the remnants of his supporters. The new army chief of staff has also been connected with the corrupt Magloirist group. Fignolé has often been called a Communist or pro-Communist, and his Workers' and Peasants' Movement was outlawed in 1950 for having Communist affiliations.

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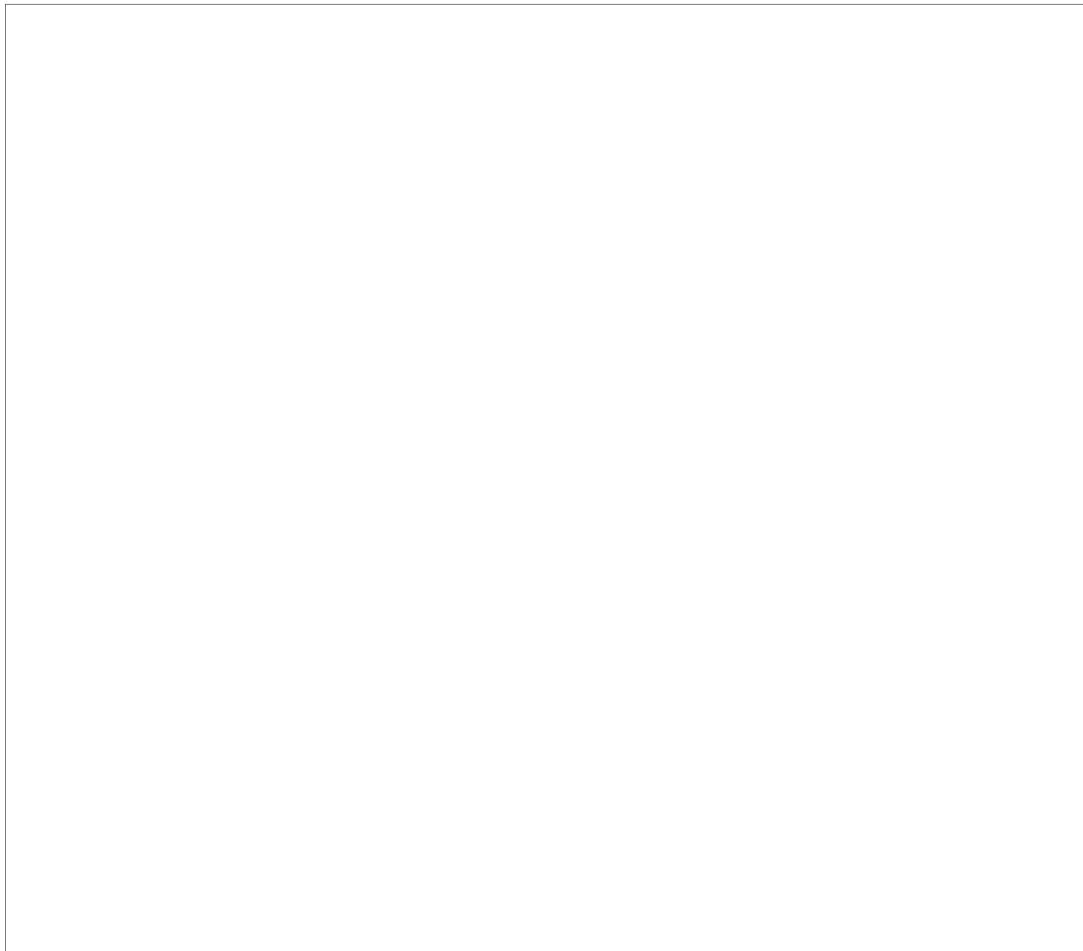
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YUGOSLAV-SOVIET TENSION LESSENS

Recent developments indicate that at least a partial truce has been declared in the ideological and political war between Belgrade and Moscow. This may or may not extend to the economic area and result in the reinstitution of Soviet credits "postponed" last February, but high-level personal contact is being resumed with the scheduled visit of the Yugoslav defense minister to the USSR in June.

In an interview published in the Yugoslav newspaper

Politika on 24 May on the occasion of Tito's 65th birthday, Tito said that the Yugoslav leaders had decided to take the initiative to prevent the "further sharpening of relations" between Yugoslavia and the Soviet Union. He asserted that the Soviet leaders "have indeed halted the campaign against Yugoslavia and, in my opinion, have insisted that the other countries also treat Yugoslavia differently and not attack it from unprincipled positions." In another press interview earlier last week, Tito said

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that the day would come--"and it is not perhaps remote"--when Yugoslavia's relations would be good with the USSR and the Satellites. Tito's optimism may reflect an exchange of correspondence with the Kremlin leaders.

Defense Minister Gosnjak's planned trip to Moscow is [redacted]

[redacted] "purely courtesy" gesture. Tito in the 24 May interview said the trip was consistent with Yugoslavia's policy of "coexistence and co-operation with everyone" and with its right to see "what headway the Soviet Union has made."

The first firm public indication of a change in Soviet attitude was noted in a Soviet radio broadcast of 15 May in the Macedonian language wishing the Yugoslav people success "in the building of socialism"--a formulation missing from the Soviet May Day slogans issued on 20 April, although last year's slogans had described Yugoslavia as "building socialism." This was followed by a birthday greeting to Tito on 24 May from the Soviet Communist Party central committee calling for development of wide co-operation between the two countries and their Communist parties.

A Moscow radio commentary the next day emphasized the identity of the policy views of the two countries and recalled Khrushchev's request in mid-April that attention be given to what unites rather than what divides the two countries. The Moscow commentary noted that Tito re-echoed this idea in his Politika interview.

The real political-ideological gulf between the two Communist states--though called only "slight differences of an ideological nature" by Tito--

was being clearly revealed in Soviet propaganda as late as 27 April, when a Kommunist article reiterated the standard attack on Tito and other Yugoslav leaders for their "incorrect" characterization of last fall's events in Hungary. Kommunist also repeated the line enunciated by Soviet party presidium members Molotov and Furtseva on Lenin's birthday, 22 April, concerning the impossibility of building socialism in isolation from the Soviet bloc.

In view of this Soviet attitude, and Yugoslavia's repeated insistence on the right and necessity of its own road to socialism, it is doubtful that either the Kremlin leaders or Tito expect a new rapprochement in the foreseeable future to be as close as that of spring 1956. The Soviet leaders, however, now may believe they have "national Communist" pressures within the bloc sufficiently in check to allow a cessation of the public battle with Tito.

The Kremlin leaders may feel it now useful to give tangible evidence of their more moderate attitude by action in the economic area. Yugoslav-Soviet bloc trade has continued at the relatively high level of late 1956 (about one quarter of all Belgrade's trade), but action on Soviet investment credits and agreement to sell a nuclear reactor have been at a virtual standstill. There has been an unconfirmed press report attributed to Belgrade diplomatic sources that Soviet minister of power stations Malenkov may attend a world power conference to be held in Belgrade starting 5 June. Such a visit would present an opportunity to offer aid in electric power facilities, strongly desired by the Yugoslavs from any foreign nation that will help them. [redacted]

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ALBANIAN-YUGOSLAV RELATIONS

The escape to Yugoslavia by Major General Panajot Plaku, who was an Albanian minister without portfolio and a member of the party central committee, is the first high-level defection since the Albanian regime chose to follow Moscow's lead at the time of the split with Yugoslavia in 1948. He was removed last October from the sensitive post of deputy defense minister.

Two other members of the 43-man central committee were revealed as pro-Yugoslavs in the past two years. These were Tuk Jakova, vice premier, and Bedri Spahiu, minister of education, removed from their posts in June 1955 for "inefficiency" but later reportedly arrested for being connected with party elements who favored more independence from the USSR and greater friendship with Yugoslavia.

Fear of Yugoslav attempts at subversion or domination is a crucial factor in both Albanian internal policies--practically unchanged since the Stalin era--and foreign policy, which closely follows Moscow's lead. Implicit in Albania's claim that its loyalty to Moscow has given it the status of a "truly independent" nation is the view that the Albanians must remain strictly subservient to Moscow in order to avoid returning to a subsatellite status under Tito.

The Albanian party was created by the Yugoslavs and

nurtured by them during and after World War II, when Albania was essentially a Yugoslav satellite. Ever since Hoxha chose to side with the Russians in the 1948 Yugoslav-Cominform split, the party has been trying to purge the pro-Yugoslav elements from its midst. How many of these elements still remain, particularly at high levels, is unknown, but speeches by Albanian leaders indicate they still fear the group's subversive potentialities.

Following the major show trial in 1949 of Koci Xoxe, minister of interior and Tito's chief supporter among the Albanian Communists, the party was purged at several levels. Xoxe's guilt was reaffirmed last spring while most of the other Satellites were rehabilitating their major "Titoists." Last November two former high party officials, Liri Gega and her husband, Dali Ndreu, who had been purged from power in 1949 for their connections with Xoxe, were executed for an alleged attempt to organize an armed revolt.

During the April visit of Albanian leaders to Moscow, Khrushchev stated that Tirana's relations with Belgrade were even worse than Moscow's and ought to improve. Recently, there has been some moderation of the Albanian propaganda attacks on Yugoslavia, probably at Moscow's insistence. Though Plaku's defection is a sore point with the Albanians, they have not initiated any propaganda battle over it.

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NEW SOVIET INDUSTRIAL HANDBOOK

The new 450-page publication "Industry of the USSR" is the fifth in a series of statistical publications that began with the general survey of the economy, the "National Economy

of the USSR," published in 1953. Since then the USSR has published statistical handbooks on retail trade, cultural construction, the economy of the RSFSR, and now a general statistical survey

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of Soviet industry. Publication of these statistics indicates that the USSR is gradually returning to the more liberal policies which existed prior to 1937 in regard to releasing economic information. The new industrial handbook contains almost as much detail as the summary statistical publications of the mid-30's.

The significance of the new compendium is not so much that it reports information previously suppressed entirely, but that it simply and conveniently fills in many of the gaps which had confronted Western researchers. The volume includes production data for most nonmilitary machinery products for 1940, 1945 and the 1950-55 period, trends in labor productivity (for the same periods) in the bulk of Soviet industry, detailed information on the structure of fixed capital for most of industry, and a vast amount of data on regional distribution of production.

Information on military end items and nonferrous metals is still withheld from this statistical publication. In general, commodity production data which previously required lengthy research now are readily available.

The new handbook does not contain the 1960 industrial goals set forth in the Sixth Five-Year Plan directives issued last year and appearing in the earlier handbook "National Economy of the USSR." The omission suggests that major Sixth Plan goals were still under review as of 6 March when the volume went to the printer.

The industrial handbook throws new light on the difficulty of expanding the basic materials industries fast enough to support the rapid rates of growth desired by Soviet leaders. For the past five or six years, the growth of output of basic materials, metals, primary energy and building materials--while growing extremely rapidly by Western standards--has not kept pace with the voracious demands of the Soviet economy. Nor have these industries kept pace with the remainder of industry in growth of labor productivity and in the ratio of output to new investment. As long as these industries lag behind in labor productivity and require more capital investment per unit of increased output, the USSR will be very hard put to maintain an industrial growth rate of 10 to 11 percent per year as envisaged in the original Sixth Five-Year Plan directives. 25X1

(Prepared by ORR)

MALAYAN-BRITISH AGREEMENT PAVES WAY FOR SMOOTH TRANSFER OF POWER

The Malayan and British delegations reached agreement on all controversial issues in the proposed Malayan constitution in talks which ended in London on 21 May. The successful conclusion of the talks removes the last major obstacle to Malayan independence, scheduled for 31 August 1957. Ratification of the agreements is expected to

be only a formality. With independence virtually achieved, the moderate federation government must now prepare to deal with the conflicting interests of Malay and Chinese groups who fear that certain constitutional provisions will lead to domination of one race by the other.

In the talks, the problem of racial antagonism was centered

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on the question of dual citizenship privileges for citizens of British colonies and Commonwealth countries, mainly of Chinese origin, who are resident in Malaya. A compromise was reached which will allow dual citizenship only to those who are resident in the federation at the time Malayan independence is achieved. While this compromise is a setback for Chief Minister Rahman, it does alleviate the primary Malay fear of a subsequent influx of Chinese who are citizens of Hong Kong and Singapore. Nevertheless, Malay opposition to the compromise can be expected and could possibly lead to a unilateral review of this clause following Malaya's independence.

The prestige and influence of the Malayan Chinese Association (MCA), which represents the Chinese population in the federation government, may be hurt as a result of this agreement, since MCA was identified with the government delegation in opposition to any form of dual citizenship. Thus, the fact that a concession to the

Chinese was obtained despite tacit MCA opposition makes that organization vulnerable to charges that it is no longer capable of protecting Chinese rights. The weakening of MCA's influence is potentially dangerous to the future of Malaya because the racial make-up of the country (50 percent Malay and 38 percent Chinese) is such that, if political stability is to be maintained, the government must remain in the hands of parties who support inter-racial political co-operation.

Other somewhat less controversial issues settled in London include the maintenance of the present right of appeal to the Privy Council from the Federation Supreme Court, the extension to the new states of Penang and Malacca of the present powers of the nine state governments to reserve land for special use, and agreement that the first governors of Penang and Malacca will be appointed jointly by the British Queen and the Malayan Paramount Ruler, with later appointments by the Paramount Ruler only. [redacted]

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PART III**PATTERNS AND PERSPECTIVES****POLITICAL PROSPECTS IN GREECE**

Widespread dissatisfaction with the political situation in Greece may force new elections late this year. Normally, elections are not due until 1960. The government has weathered two serious crises recently--the first over consideration of the Cyprus issue by the UN General Assembly in February, and the second in connection with the arrival in Athens on 17 April of Cypriot archbishop Makarios.

Prime Minister Karamanlis' party, the National Radical Union (ERE), is made up of competing factions with conflicting ambitions and loyalties. He has not been able to establish himself as its undisputed leader, nor has he built up a party machine through which it

will ultimately result in the government's fall. Part of the rationale behind opposition actions is the view of the average politician that the premiership should change hands as frequently as possible. Karamanlis is the only prime



Foreign Minister Averoff



Prime Minister Karamanlis

could develop into a lasting force in Greek politics.

The opposition parties are maintaining a constant barrage of attacks on the government, evidently on the assumption that unremitting pressure

minister except Marshal Alexander Papagos to have remained in office for more than nine months since the end of World War II.

The Government

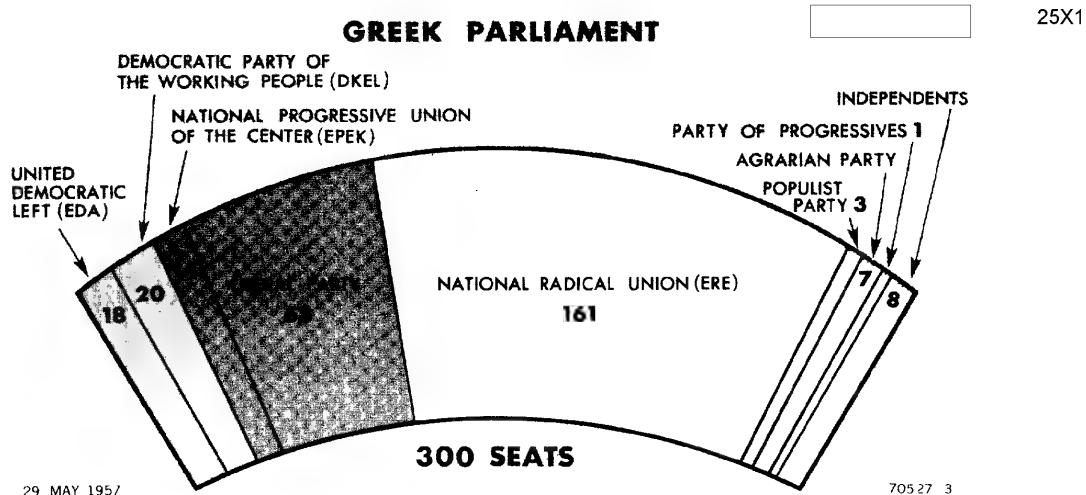
Karamanlis has so far lost only four of the 165 deputies his party elected to the 300-member parliament in February 1956, but several times that number are merely awaiting the most propitious occasion for defecting. Many others are controlled by private interests which might decide at any time to withdraw support from the government. Since Karamanlis' majority in parliament is slim, relatively few defections could cause his fall.

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At least three leading cabinet members covet the prime minister's job. Minister of Commerce and Industry Papa-Ligouras, probably the ablest as well as the most ambitious, has been actively courting American sponsorship. Minister Without Portfolio Kassimatis, recruited from the Liberal Party by Karamanlis, has concentrated on undermining Foreign Minister Averoff, presumably in an attempt to use the Foreign Ministry as a steppingstone to the premiership. Deputy Premier Apostolidis, generally believed to represent important private interests and to be close to influential palace

advisers, is also actively undermining the prime minister.

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By the end of March, when he was known to be considering a government reorganization, 67 ERE deputies had submitted written requests to him for ministerial appointments.

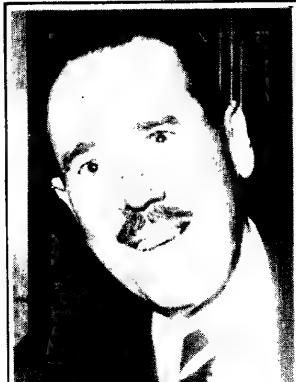
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The Opposition

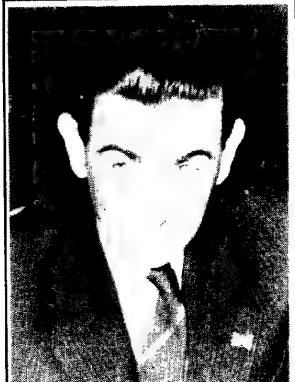
Leading Greek industrialist
Bodossakis and his publisher



**Minister Without Portfolio
Kassimatis**



**Deputy Prime Minister
Apostolides**



**Minister of Commerce and
Industry Papaligouras**

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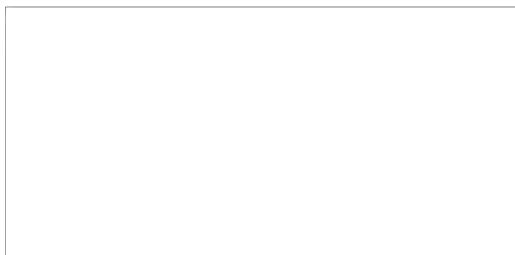
associate, Dimitrios Lambrakis, supply the principal financial support of Spyros Markezinis' right-wing Party of Progressives, which is composed of those who left the Greek Rally when Markezinis broke with Marshal Papagos in 1954. Last fall the Bodossakis-Lambrakis-Markezinis group induced the defection of an ERE deputy from Karamanlis' home town. Although an expected larger exodus did not occur, Lambrakis' influential newspaper To Vima has since editorially taken up the opposition demand for new elections, and the group can probably cause

in parliament, substantially strengthens the centrist opposition. This new Liberal Party

Liberal Party President
VenizelosParty of Progressives Leader
Markezinis

several new defections from the ERE whenever it chooses.

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The reunion last February of the Liberal Party and the Liberal Democratic Union, the two largest opposition groups

has since been trying to live down the onus of collaboration with the extreme left in last year's elections; Karamanlis reportedly complained on 7 April that its efforts were depriving him of the claim that his is the only reliable anti-Communist government available. The Na-

Liberal Party Parliamentary
Leader Papandreou

tional Progressive Union of the Center (EPEK) has similarly purged itself of the taint of collaboration with the Communists.

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Negotiations appear to be nearing fruition for a resurrection of the once-dominant Populist Party, the traditional alternative to the Liberals in the period from 1910 to 1946. The adherence of several prominent independent politicians close to the palace, as well as of Stephanos Stephanopoulos and Panagiotis Kanallopoulos, deputy premiers in Papagos' Rally government, may make the Populists an attractive alternative to Markezinis' Progressives for future ERE defectors. Stephanopoulos will presumably merge his insignificant Popular Socialist Party with the Populists.

The American embassy recently estimated that new Greek elections might take place as early as next September. Since then, however, parliament has been prorogued until 15 October, thereby delaying any elections

until some time after that date. The new parliamentary session will probably inaugurate a period of intense political activity, with constantly increasing pressure for a new electoral law and the calling of elections. Unless dramatic progress is made on the economic front and Karamanlis discovers how to discipline and unite his party, this pressure may soon become irresistible, especially if there is a new flare-up of the Cyprus issue.

If present trends continue, new elections would probably force a return to coalition government, since neither of the major groupings--ERE and Liberal--could produce a parliamentary majority. Markezinis' Progressives, and the Populists on the right and the Communist-front EDA on the left, would probably hold the balance of power.

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GHANA'S VOLTA RIVER HYDROELECTRIC PROJECT

Ghana's proposed development of the vast hydroelectric potential of the Volta River would significantly change the country's economy by permitting the growth of an important aluminum industry. The project

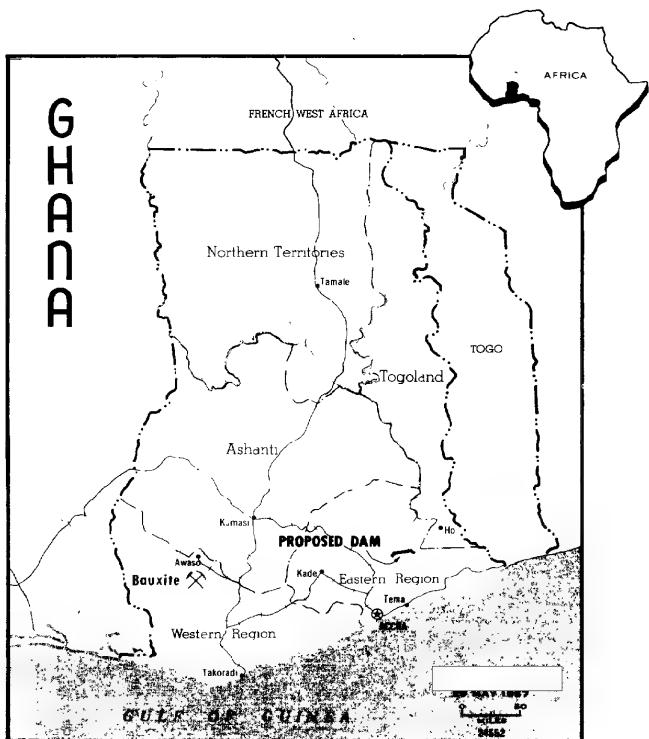
is estimated to cost about \$850,000,000, and uncertainty as to whether the necessary capital can be obtained from Western sources might affect the new nation's international orientation.

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The hydroelectric plan, providing for an installed capacity of 620,000 kilowatts of power, received serious consideration in a British white paper published in 1952. Utilization of the hydroelectric potential of the Volta River could substantially relieve the Gold Coast (Ghana) of its dependence on cocoa. Damming the river at Ajena and creation of a 3,500-square-mile lake--the largest man-made lake in the world--could provide the electricity needed to process bauxite into about 210,000 tons of aluminum a year. At Awaso, within 180 miles of the dam, are proved bauxite deposits containing at least 140,000,000 tons of ore. The plan also includes the new port of Tema near Accra, now under construction, and possible irrigation of the Accra plains and development of a fishing industry and transportation on the lake.

As envisioned in 1952, the cost would have been \$400,000,000, the financing to be shared by the British and Ghana governments, as well as by private aluminum companies. Of the total, Britain was to supply about 40 percent, Ghana 27 percent, and private companies--Aluminium Ltd. of Canada and British Aluminium--33 percent.

Conditions have changed drastically since 1952. A 1956 report of the Preparatory Commission, which was created to study the plan, estimated the cost at about \$650,000,000. Because of rising construction costs and earlier overoptimistic estimates, however, the total cost would probably approximate \$850,000,000.

This increase in costs creates a serious problem because sufficient capital is not readily available. Ghana's share of the costs, now estimated at about \$229,500,000, can no longer be covered by Accra's development fund reserves. With the sharp fall in the price of cocoa since 1954 from 73 cents a pound to the present 25 cents, the Ghana government has not been able to accumulate sufficient reserves to finance both its regular development program and the hydroelectric project.

Ghana's minister of finance stated in March 1957 that the country had only about \$23,000,000 in uncommitted development funds, and general economic

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conditions are not expected to improve substantially. Since private aluminum companies have invested in other areas, particularly in French Africa, where the quality of the bauxite is higher and the investment return more promising, they are not disposed now to make a large investment in Ghana. Britain, too, is less able to undertake heavy new commitments, and certainly would not participate on the scale proposed in 1952.

Ghana officials have contracted the World Bank, which sent a mission in November 1956 to report on the general economy, but not specifically on the Volta River plan. The World Bank has notified Ghana that under present economic conditions the country could not afford such a development expenditure and that the bank has never loaned such a large sum.

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disappear. Because of the decreased revenues available for all development projects, the government is cutting back on building roads, bridges, schools, and village buildings--moves which have already aroused the wrath of party "backbenchers" in the Accra legislature. Diversification of the country's economy and freedom from reliance on cocoa, which now accounts for about 70 percent of Ghana's foreign exchange earnings, can come about only through the development of the aluminum potential and general industrialization which electric power from the Volta River could provide.

Before risking the economic and political dangers inherent in dropping the project, the prime minister is expected to consider all means of financing it. He believes the West is the most likely source of capital, and this belief is a strong factor in Ghana's international orientation. The new commissioner of development, who has been responsible for the project, says the government will not wait more than 18 months for financing to materialize. After this time, Nkrumah will probably attempt to squeeze additional revenues from the private firms operating in Ghana and agree to closer economic and political ties with the Soviet bloc in order to obtain capital from the Communists. Efforts are being made by those friendly to the Western nations to prevent the government from taking any action which might discourage private investors, but these officials realize their influence is limited.

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Prime Minister Nkrumah and most Ghana politicians regard the Volta River project as much a political as an economic problem. The governing party has propagandized throughout the rural areas that it alone can bring development to Ghana. Unless the party fulfills this pledge, its rural support will

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PRESENT STATUS OF SOVIET MILITARY COMMAND STRUCTURE

Since Stalin's death, the Soviet Union has made a number of organizational and personnel changes in its military command structure in an effort to keep pace with the requirements imposed by developments in modern warfare.

Policy Level

As Soviet minister of defense and commander in chief of the armed forces, Marshal of



ZHUKOV

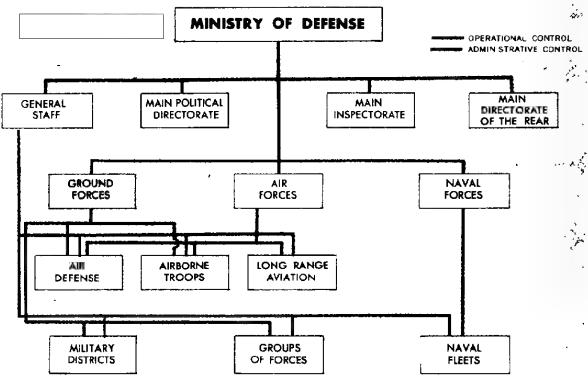
the Soviet Union G. K. Zhukov has authority over all aspects--policy, administration and operations--of the military organizations. He is directly responsible to the Council of Ministers, but important questions of military policy probably are decided in the party presidium on which Zhukov is a candidate (non-voting) member. There are some indications of growing operational autonomy for the individual service headquarters, but the general staff maintains ultimate operational control and exercises

it particularly over the ground forces which the USSR still apparently regards as the main military arm.

Zhukov is assisted by four, possibly five, first deputy ministers plus several deputy ministers, all but one of whom have additional responsibilities within the ministry. Marshal Konev, as commander in chief of the Warsaw pact forces and as first deputy for general affairs, is Zhukov's ranking aide. First Deputies Sokolovsky and Malinovsky are responsible for the general staff and ground forces respectively. Admiral S. G. Gorshkov, possibly with the same rank, is responsible for naval affairs. First Deputy Vasilevsky probably is in a semiretired status. The next highest rank, deputy minister, goes with particularly important commands and administrative positions such as commander in chief of the air components and of the air defense troops.

General Staff

The Soviet general staff, which over the years has assumed numerous administrative responsibilities beyond its primary function as the planning

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body of the Soviet armed forces, seems to enjoy greater prestige now than at any time in its history.

This staff receives general strategic directives from the civil leadership through the minister of defense and translates these into specific orders directly to headquarters and field commands. It has three planning directorates--operations, intelligence, and organization and mobilization--and a number of administrative directorates. Directorate VI, a new addition, has been identified with the mission of controlling scientific research installations. Directorate X has been identified as responsible for Warsaw pact affairs, indicating that the pact headquarters is an integral part of the Soviet Defense Ministry.

A Supreme Armed Forces Technical Council reportedly was



MALINOVSKY

established in Moscow in early 1955 for the purpose of supervising the equipping of the armed forces with modern weapons. The council may have grown out of a technical committee representing all arms and services which advised the general staff on questions of research,

development, and design of weapons. The entire Soviet guided-missile program may be co-ordinated by this committee.

Administrative Level

Ground Forces: Headquarters, Ground Forces of the Soviet Army, is responsible for the general development of doctrine, administration, training, and supply in ground weapons. It is not involved, however, in the operational chain of command flowing from the minister of defense and his general staff to each of the major commands.

In early 1956, Marshal R. Ya. Malinovsky, formerly commander of Soviet forces in the Far East, was appointed commander in chief of the ground forces and elevated to first deputy defense minister, replacing Marshal I. S. Konev, Konev in turn moved ahead of the ailing Marshal A. M. Vasilevsky to become first deputy for general affairs. During the war, Malinovsky was associated with Khrushchev on the Stalingrad military council. Although the position of commander in chief has changed hands three times since Stalin's death (Zhukov, Konev, Malinovsky), the composition of the staff appears to have remained relatively stable.

Naval Forces: Headquarters, Naval Forces, like that of the ground forces, is responsible for the technical and administrative control of its subordinate elements. In the headquarters there are directorates for naval supporting arms, such as naval aviation and the coastal defense forces ashore, and possibly for the submarine forces as well.

In 1955, Fleet Admiral N. G. Kuznetsov was replaced as

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commander in chief of the navy by Admiral S. G. Gorshkov, who has been described by a Soviet naval officer as "an expert on modern weapons." Gorshkov was reportedly appointed to adapt the navy to the technical developments of the nuclear age.

Other personnel changes in the Soviet navy include: (a) appointment of a new deputy commander in chief for shipbuilding and armaments, (b) change of at least three deputy chiefs of the main naval staff, including the chief of operations, and (c) the return to Moscow as second in command to Gorshkov of Admiral Golovko, chief of the main naval staff from 1947 to 1952, from his command of the South Baltic Fleet.

Traditionally, some strategic elements of the Soviet armed forces have been held as a "Reserve of the High Command," and units of the Long Range Air Force possibly are also held in this reserve.

Air Forces: Although operational control extends directly from the defense minister to the major ground and naval commands, the growing emphasis on air power in the USSR is reflected in indications that Soviet air components are approaching a semiautonomous status.

In January 1957, Chief Marshal of Aviation P. F. Zhigarev was replaced by Marshal of Aviation K. A. Vershinin as commander in chief, a position from which the latter was removed in 1949. Zhigarev is thought to be a long-range aviation advocate, and there is some evidence that Vershinin was previously his deputy in charge of air defense. Vershinin's administrative qualifications would make him a logical successor. Zhigarev

has been appointed to head the growing Soviet civil air fleet.

Other Directorates: Other directorates on the same admin-



GORSHKOV

istrative level as the services include a Main Personnel Directorate, Main Artillery Directorate, and Main Tank Directorate. Both artillery and armor are represented within the ground forces headquarters, but the



VERSHININ

main directorates have ordnance functions. The Main Artillery Directorate is concerned with the procurement, supply and

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maintenance of all weapons and ammunition for the entire Soviet military establishment. In addition, in conjunction with the Academy of Artillery Sciences, it is responsible for weapons research and development.

Operational Level

The major operational commands under the general staff are the military districts and air defense districts within the USSR, groups of forces such as the command in East Germany, naval fleets and flotillas.

Headquarters of long-range aviation, air defense and possibly air-borne troops, although within the military and air defense districts, are centrally controlled and operationally responsible to the defense minister. The development and procurement of the Long Range Air Force's equipment and the basic training of its personnel are the administrative responsibility of Vershinin. Its present commander is Marshal of Aviation Sudets, probably the third commander of this force since Stalin's death.

The antiaircraft element of the Air Defense Troops (PVO) is administratively under the artillery command for training and equipment, while the air

element is under the air force for similar functions. The commander of PVO, however, maintains operational control over the interceptor aircraft and antiaircraft components.

There is some evidence to suggest that recent Soviet public attention to the importance of air defense reflects a greater autonomy for the air defense forces. They now may be represented at the Defense Ministry level by two people, PVO chief Marshal Biryuzov and Marshal of Artillery Nedelin, both of whom are probably deputy defense ministers. There is some suggestion that air defense headquarters is on the same administrative level as the other services.

Like the PVO, the air-borne troops are directly subordinate to the Ministry of Defense. This headquarters is responsible for the formulation of air-borne doctrine and the supervision of air-borne training.

In the ground forces, these various commands have remained relatively unchanged. There have been some modifications in the number and boundaries of military districts

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PEIPING'S TRADE PROGRAM IN SOUTH ASIA

Determined to capture a larger share of the South Asian market, for political as well as economic reasons, Communist China increased its exports to this area by 80 percent during 1956 despite serious internal economic difficulties.

Although imports remained approximately the same in 1956 as in 1955, total Chinese trade with major South Asian countries rose some 37 percent to almost \$250,000,000. Normally a net importer in trade with South Asia, China achieved in 1956 a larger export balance in trade with the area, chiefly through price cutting and stepped-up sales of light industrial products. Peiping's decision in late 1955 to allocate a larger share of investment funds to light industries was probably dictated in part by a desire to meet the growing demand in these countries for light industrial products.

In the case of countries having large Chinese populations in South Asia, such as Malaya and Indonesia, China is attempting with considerable success to develop markets for native Chinese products, mostly consumer goods. China's exports to Indonesia were three times the volume of imports, and to Malaya, more than five times imports. Peiping is also courting Indonesian and Malayan exporters with visions of an almost limitless Chinese demand for their products. Chinese purchases in late 1956 following the removal of the embargo on rubber

have been disappointing to Malaya, but China may shift purchases to this area after expiration this year of its rice-rubber contract with Ceylon.

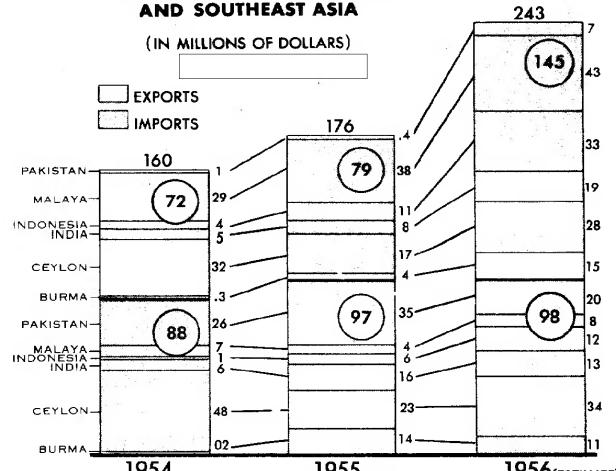
Peiping has been attempting to expand its trade relations with Ceylon beyond the five-year rice-rubber pact, and will probably insist on settling its trade debt to Ceylon--normally paid in sterling--with Chinese goods as a means of introducing goods other than rice into the Ceylonese market. For their part, the Ceylonese would prefer a continuation of the existing arrangement, and their trade mission, recently back from Peiping, failed to find significant quantities of suitable Chinese goods.

China's large purchases of rice from Burma in 1955 and 1956, ostensibly to reduce Rangoon's exportable surpluses, enabled Peiping to raise its trade with Burma from less than \$500,000 in 1954 to over \$25,-000,000 in 1956. Burmese resentment over the fact that

CHINESE TRADE WITH SOUTH AND SOUTHEAST ASIA

(IN MILLIONS OF DOLLARS)

EXPORTS
 IMPORTS



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China resold much of this rice to traditional Burmese cash customers was in part dispelled by the satisfaction Burmese importers have expressed for Chinese goods. Burmese importers are now purchasing such large quantities of these goods that Burma, having reduced rice exports to China because of increased free world cash sales, has had to put imports from China on a cash basis.

In 1956, China boosted its formerly negligible exports to Pakistan by agreeing to deliver \$3,500,000 worth of coal to relieve Karachi's almost complete dependence on Indian supplies, an arrangement which may continue. In addition, Pakistan accepted China's offer of 60,000 tons of rice last year to reduce famine conditions in East Pakistan.

In India, where Chinese exports had amounted to less than 50 percent of imports, Peiping reversed its trade position in 1956 by selling raw materials required by India's growing industries. Heavy industrial materials such as iron and steel products and chemicals, as well as raw silk and newsprint, actively competed in markets normally held by non-Communist traders and were primarily responsible for the more than 100-percent increase last year in Chinese exports to India. Over 25 percent of India's purchases of chemicals in 1956 came from China. Indian importers, expressing satisfaction with these new Chinese industrial materials, have indicated they will divert more of their business from traditional sources when Chinese products become regularly available in quantity.

(Prepared by ORR)

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